

Before the Illinois Commerce Commission

Direct Testimony of

Gordon J. Kraut, Jr.

On Behalf of

Flat Rock Telephone Cooperative

(ICC Docket Nos. 00-0233 & 00-2335)

April 20, 2001

OFFICIAL FILE

ILL. C. C. DOCKET NO. 00-0233/0335
Flat Rock
Telephone Coop. EXHIBIT NO. 1.0
FILED BY _____
Date 6-19-01 Reporter CB

1 **Q. PLEASE IDENTIFY YOURSELF FOR THE RECORD.**

2 A. My name is Gordon Kraut. I am a consulting manager with GVNW Consulting,
3 Inc. GVNW Consulting, Inc.'s principal business is telecommunications
4 consulting for small independent telephone companies. My business address is
5 3220 Pleasant Run, Springfield, Illinois 62707.

6

7 **Q. PLEASE PROVIDE YOUR EMPLOYMENT BACKGROUND.**

8 A. I joined GVNW, Inc. on October 20, 1997. In my current position I consult with
9 independent telephone companies and provide financial analysis and management
10 advice in areas of concern to these companies. Specific activities include
11 regulatory analysis, consultation on regulatory policy, financial analysis, market
12 analysis, rate design and tariff development, long-range strategic planning and
13 general management consulting services. Previously, I was employed by TDS
14 TELECOM, as Manager of Revenue and Earnings in the Government and
15 Regulatory Affairs Group, where my responsibilities were to manage the revenue
16 and earnings processes, manage the development and implementation of earnings
17 strategies, and oversee rate cases, regulatory audits, and earnings reviews for the
18 TDS TELECOM companies. I also assisted in the regulatory review of telephone
19 company operating and capital budgets, and ensuring that capital recovery
20 objectives were achieved for TDS TELECOM operating companies.

21

22 In 1988, I began my telecommunications career with TDS, Inc., as an Internal
23 Auditor. In this position, I conducted both operational and financial reviews of
24 TDS, Inc.'s operating companies. In 1993, I was promoted to Senior Internal
25 Auditor where I took a more active role in managing internal audits for the
26 company. In 1994, I was promoted to Associate Manager of Accounting in TDS

1 TELECOM. My responsibilities included providing management with monthly
2 reports on company financial results, troubleshooting and providing support to the
3 region accounting staffs and helping determine accounting policy and procedures.
4 Early in 1996, I was promoted to the position of Manager of Revenue and Earnings
5 in the Government and Regulatory Affairs Group.
6

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND.**

8 A. I graduated from Edgewood College in May 1988 with a Bachelor of Science
9 Degree in Business with an emphasis in Accounting. I was awarded a Masters in
10 Business Administration from Edgewood College in 1991.
11

12 **Q. HAVE YOU TESTIFIED BEFORE?**

13 A. Yes. I have provided testimony in the Commonwealth of Pennsylvania in rate
14 cases for Sugar Valley Telephone Company and Mahanoy & Mahantango
15 Telephone Company. I have also put in testimony on behalf of Citizens of
16 Kecksburg also in Pennsylvania in a rural exemption case.
17

18 **Q. ON WHAT COMPANY'S BEHALF IS THIS TESTIMONY SUBMITTED?**

19
20 A. Flat Rock Telephone Cooperative.
21

22 **Q. HAVE THE ILLINOIS UNIVERSAL SERVICE FUNDING**
23 **CALCULATIONS FOR FLAT ROCK TELEPHONE COOPERATIVE**
24 **USING THE FORMAT AGREED TO BY THE STAFF AND THE IITA**
25 **BEEN PREPARED BY YOU OR SOMEONE UNDER YOUR DIRECT**
26 **SUPERVISION?**
27

28 A. Yes it has. It is attached as Flat Rock Telephone Cooperative Exhibit 1.0,
29 Schedule 1.01 and consists of three pages.

1 Q. IS FLAT ROCK TELEPHONE COOPERATIVE EXHIBIT 1.0,
2 SCHEDULE 1.01 TRUE AND CORRECT TO THE BEST OF YOUR
3 KNOWLEDGE, INFORMATION AND BELIEF?
4

5 A. Yes, it is.
6

7 Q. HAVE YOU MADE ANY ADJUSTMENTS TO THE FINANCIAL
8 INFORMATION?
9

10 A. No, I have not.
11

12 Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY ON BEHALF
13 OF FLAT ROCK TELEPHONE COOPERATIVE?
14

15 A. Yes, it does.
16
17

Flat Rock Telephone Co-Op
Illinois Universal Service Funding Calculation
Based upon ICC Form 23A Report Data for December 31, 2000
Material & Supplies Worksheet and Other Information

Line #		
1	December-99	\$36,691
2	January-00	\$46,793
3	February-00	\$43,541
4	March-00	\$41,410
5	April-00	\$38,995
6	May-00	\$39,664
7	June-00	\$49,141
8	July-00	\$66,075
9	August-00	\$52,918
10	September-00	\$56,318
11	October-00	\$53,457
12	November-00	\$50,418
13	December-00	\$41,088
14	13 Month Average	\$47,424

Sale/Lease Back Arrangement

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The company does not have any sale(s)/lease back arrangement.
The company does have sale(s)/lease back arrangement and has provided additional information to staff.

Lease Agreement with Affiliates

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The company does not have any lease agreements with affiliates.
The company does have lease agreements with affiliates and has provided additional information to staff.

Trial Balances

The Company has provided a copy of its 12/31/2000 trial balance in support of the attached exhibits.

Flat Rock Telephone Co-Op
Illinois Universal Service Funding Calculation
Based upon ICC Form 23A Report Data for December 31, 2000
Operating Revenues By Category

<u>Line #</u>		<u>Source</u>	<u>Amount</u>
		Form 23A, P 10, Total Local	
1	Local Revenues	Network Service Revenues	\$ 36,801
2	State Subscriber Line Charges	Trial Balance 12/31/00	
3	State Access Revenues	Trial Balance 12/31/00	\$ 125,349
4	State High Cost Support	Exhibit 1.0, Page 1, Line 15	\$ 123,869
5	State Special Access Revenues	Trial Balance 12/31/00	\$ 9,151
6	Total State Access & Local Revenues	Sum (Ln 1 - 5)	\$ 295,170
7	Federal Subscriber Lines Charges	Trial Balance 12/31/00	\$ 28,199
8	Federal Access Revenues	Trial Balance 12/31/00	\$ 139,496
9	Federal High Cost Support	Trial Balance 12/31/00	\$ 83,574
10	Federal Special Access Revenues	Trial Balance 12/31/00	\$ -
11	Total Federal Access Revenues	Sum (Ln 7 - 10)	\$ 251,269
12	Misc Revenues	Trial Balance 12/31/00	\$ 39,090
13	Total Operating Revenues	Ln 6 + Ln 11 + Ln 12	<u>\$ 585,529</u>